

North Country Community Mental Health

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name North Country Mental Health	County Emmett
Audit Date 9/30/04	Opinion Date 2/10/05	Date Accountant Report Submitted to State: 3/17/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

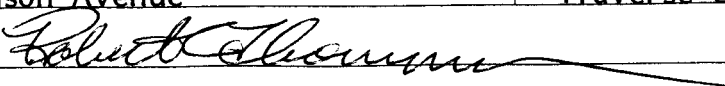
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Dennis, Gartland & Niergarth, P.C.			
Street Address 415 Munson Avenue	City Traverse City	State MI	ZIP 49686
Accountant Signature 			

CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	2
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS.....	5
STATEMENT OF ACTIVITIES.....	6
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES.....	9
PROPRIETARY FUND FINANCIAL STATEMENTS	
BALANCE SHEET - PROPRIETARY FUNDS.....	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUNDS.....	11
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	12
NOTES TO FINANCIAL STATEMENTS.....	13
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE PROVIDER FUND.....	25
BUDGETARY COMPARISON SCHEDULE FOR THE AFFILIATION FUND.....	26



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
North Country Community Mental Health

We have audited the financial statements of *North Country Community Mental Health*, (the "Authority"), as of and for the year ended September 30, 2004 and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth, P.C.

February 10, 2005



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North Country Community Mental Health

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2004

This report offers readers of the North Country Community Mental Health's (the "Authority") financial statements a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2004. This analysis is provided at the beginning of the audit to facilitate the reader's understanding of the Authority's financial condition. It should not be taken as a replacement for the audit detail, which consists of the financial statements and supplemental information that presents the Authority's revenues and expenditures by program for the Provider Fund, Affiliation Fund and various Internal Service Funds.

Using the Annual Report

This discussion and analysis is intended to serve as an introduction to the financial statements of North Country Community Mental Health. The Authority's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

The government-wide financial statements provide readers with an overview of the Authority's finances. The Statement of Net Assets presents information on the Authority's total assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Authority is improving or declining. The Statement of Activities presents information on how the Authority's net assets changed during the fiscal year.

Fund Financial Statements

A Fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Fund financial statements present how services were financed in the short-term, and indicate what remains for future spending. Funds are divided into two categories: governmental and proprietary.

Governmental Fund financial statements focus on current inflows and outflows of financial resources, as well as balances of resources available at year-end for future use. The Governmental Fund financial statements for North Country Community Mental Health identify both the Provider Fund and Affiliation Fund activity and balances. The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance contain reconciliations, to facilitate comparison between the governmental fund and governmental activities reported in the government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Proprietary Funds, which, in our case, include only Internal Service Funds, are used to account for the financing of services provided by other funds of the entity. The Authority has three Internal Service Funds: the Risk Management Fund; Employee Benefit Fund; and the Building Improvement Fund.

The Risk Management Fund is established to protect the Authority from the inevitable risk occurring in a capitated funding arrangement where demand for service might exceed prepaid revenue. Included in the fund are balances transferred from affiliates Ausable Valley Community Mental Health, Northeast Michigan Community Mental Health, and Northern Michigan Substance Abuse Services. The dollar amount of fund equity as of September 30, 2004 is \$1,889,059.

The Employee Benefit Fund is used to secure funds necessary to meet future sick and vacation leave payout. The dollar amount of fund equity as of September 30, 2004 is \$0. The total current assets in this Fund as of September 30, 2004 is \$564,178.

The Building Improvement Fund is used to account for the sale of rental services to the General Fund. The fund may be used for future building improvement. The total fund equity as of September 30, 2004 is \$483,111.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Authority as a Whole

North Country Community Mental Health receives the majority of its funding (approximately 90.5%) from two contracts held with the Department of Community Health. The Medicaid Managed Specialty Supports and Service Contract provides funding for mental health and substance abuse services for the Medicaid population for a thirteen county region. The Managed Mental Health Supports and Services Contract provides funding for mental health services for the indigent population for a six county area. During the reporting period, North Country Community Mental Health was in the second year of a two-year contracting period. The Department of Community Health extended both contracts for an additional year until September 30, 2005.

Fiscal year 2003-04 was the second year that North Country Community Mental Health operated as the lead agency in an Affiliation for Medicaid-funded services. North Country Community Mental Health entered into an agreement under the Intergovernmental Transfers of Functions and Responsibilities Act (P.A. 8, 1967) with Ausable Valley and Northeast Michigan Community Mental Health in fiscal year 2002-03. Because it holds the contract with the Department of Community Health, North Country Community Mental Health receives all Medicaid revenue for the thirteen county region. Ausable Valley Community Mental Health, Northeast Michigan Community Mental Health, and Northern Michigan Substance Abuse Services hold contracts as service providers with North Country Community Mental Health. North Country Community Mental Health also provides services to its six county primary service area.

North Country Community Mental Health was created on April 1, 2003 after Northern Michigan Community Mental Health merged with Antrim Kalkaska Community Mental Health. Comparison of FY04 financial information to FY03 information will be difficult due to the short year in FY03.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

The Authority's net assets were \$5,137,119 on September 30, 2004 and \$5,110,280 on September 30, 2003. Of this amount, the unrestricted portion was \$2,297,202 on September 30, 2004 and \$2,397,927 on September 30, 2003. Restricted net assets are to be used for a specific purpose and cannot be used to fund day-to-day operations.

	<u>Governmental Activities 2002-03</u>	<u>Governmental Activities 2003-04</u>
Current assets	\$10,226,287	\$ 9,215,913
Capital assets	<u>1,459,442</u>	<u>1,573,123</u>
Total Assets	<u>11,685,729</u>	<u>10,789,036</u>
Current liabilities	5,557,748	4,539,712
Non-current liabilities	<u>1,017,701</u>	<u>1,112,205</u>
Total Liabilities	<u>6,575,449</u>	<u>5,651,917</u>
Net assets		
Invested in capital assets (net of debt)	885,034	950,858
Restricted for Risk	1,827,319	1,889,059
Unrestricted	<u>2,397,927</u>	<u>2,297,202</u>
Total Net Assets	<u>\$ 5,110,280</u>	<u>\$5,137,119</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

The following table summarizes the change in net assets as of September 30, 2004. Comparison information is given for September 30, 2003, however the information is only for six months due to the merger on April 1, 2003.

	Governmental Activities 2002-03	Governmental Activities 2003-04
Total program revenues	\$25,554,832	\$53,664,016
General purpose revenues	1,040,383	1,055,071
Net assets transferred-merger	<u>4,496,015</u>	<u>-</u>
 Total revenue and transfers	 <u>31,091,230</u>	 <u>54,719,087</u>
Health and human service expenses		
Mental illness adult expenses	3,519,420	7,239,703
Mental illness child expenses	749,079	1,627,399
Developmental disability expenses	7,179,256	14,640,564
Other program service expense	361,922	676,796
Board administration	1,239,982	2,123,898
Other expenses	105,625	232,162
Managed care		
Ausable Valley CMH	3,540,760	8,061,044
Northeast Michigan CMH	7,570,840	15,750,174
Northern MI Substance Abuse Services	282,575	604,390
Other contractual providers	792,251	1,557,764
Managed care administration	<u>639,240</u>	<u>2,178,357</u>
 Total Expenses	 <u>25,980,950</u>	 <u>54,692,251</u>
 Changes in net assets	 <u>\$ 5,110,280</u>	 <u>\$ 26,836</u>

Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget three times to take into account changes in revenue and expenditures during the year. The total initial budget was \$27,659,672 for Provider Operations and \$47,970,511 for Affiliation operations. The total final budget was \$27,587,629 for Provider Operations. The Affiliation budget did not change during the year.

The most significant changes to the provider budget were changes in state formula funding and Medicaid funding from the Affiliation. The initial budget included \$5,057,059 in state formula funds and \$20,114,435 in Medicaid funds. The final budget included \$5,199,514 in state formula funds and \$19,947,031 in Medicaid funds resulting in changes of \$142,455 and (\$167,404) respectively. An approximate reduction of \$48,000 in grant related funding comprised the remainder of the budget reduction.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Total expenditures for the North Country Community Mental Health Provider Operations were \$1,043,086 less than budgeted. Staff turnover accounted for \$166,238 of the difference, reduced state and local inpatient usage accounted for \$301,106 of the difference, and reduced usage of residential facilities accounted for another \$199,239. The remaining difference was due to under-expenditure of various operating line items.

North Country Community Mental Health Provider Operations returned \$220,433 in Medicaid unspent funding to the Affiliation operations. The Affiliation distributed the unspent Medicaid dollars to Ausable Valley Community Mental Health and Northeast Michigan Community Mental Health. Both of these agencies overspent their Medicaid budget considerably during FY03-04. All Medicaid funding received from the State in FY03-04 was spent, resulting in no savings to be carry forward into FY04-05. Also spent in FY03-04 was \$1,239,159 in Medicaid Savings that was carried forward from FY02-03.

North Country Community Mental Health returned \$521,730 in unspent State Formula Funds to the State of Michigan. State Formula savings of \$260,154 was carried forward into FY04-05.

Capital Asset and Debt Administration

As of September 30, 2004, the Authority had \$2,584,972 invested in capital assets, including land, buildings, equipment, furniture, and vehicles. The total accumulated depreciation on these assets is \$1,011,849. The total debt related to fixed assets was \$622,265. For comparison purposes, as of September 30, 2003, the Authority had \$2,301,817 invested in capital assets, including land, buildings, equipment, furniture, and vehicles. The total accumulated depreciation on these assets was \$842,375. The total debt related to fixed assets was \$574,408.

The most significant capital asset purchases during fiscal year 2003-04 were vehicles, computer equipment, and software. Two high-mileage vehicles were replaced. The Authority has been updating its information systems over the past year in order to increase its ability to manage and transmit information electronically. Two file servers were purchased by the Affiliation, as well as data collection software, all of which will be used by all affiliates. The implementation date for this software was October 1, 2004.

Looking Forward to FY2004-05 and Beyond

The Authority's budget for fiscal year 2004-05 will be approximately the same as it was in fiscal year 2003-04. Modest increases are expected in Medicaid capitation payments. Vacant staff positions may be held to contain costs. Authority health insurance costs have increased approximately 75% since fiscal year 2001-02. Health benefits were reduced to contain costs in FY2004-05. The greatest risk to the Authority is the expenditure for state and community inpatient services and residential services to both the developmental disabled and mentally ill populations. When inpatient and residential needs increase, the Authority must respond by reducing services and costs in other areas in order to avoid overspending allocated resources.

The amount of Medicaid funding beyond fiscal year 2004-05 is difficult to predict. State wide, the Department of Community Health is re-basing capitation rates for FY2005-06 based on allowable costs for Medicaid covered services. It is unknown at this time how this will affect Medicaid funding in future years.

North Country Community Mental Health

STATEMENT OF NET ASSETS

September 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,308,119
Accounts receivable	271,584
Due from member counties	99,915
Due from providers	212,857
Prepaid expenses	<u>323,438</u>
Total current assets	9,215,913
Non-current assets	
Capital assets, net of accumulated depreciation	<u>1,573,123</u>
Total assets	<u><u>\$ 10,789,036</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,767,636
Accrued liabilities	492,433
Due to State	1,057,757
Due to providers	361,849
Deposits	3,431
Deferred revenue	833,363
Notes payable	<u>23,243</u>
Total current liabilities	4,539,712
Non-current liabilities	
Accrued annual leave	513,183
Non-current portion of long-term obligations	<u>599,022</u>
Total liabilities	5,651,917
NET ASSETS	
Invested in capital assets, net of related debt	950,858
Restricted	
Risk management	1,889,059
Unrestricted	<u>2,297,202</u>
Total net assets	<u>5,137,119</u>
Total liabilities and net assets	<u><u>\$ 10,789,036</u></u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Functions/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes Net Assets
		Charges For Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities - Mental Health Services				
Developmentally Disabled				
State Residential	\$ 142,363	\$ -	\$ 127,207	\$ (15,156)
Residential	9,222,956	80,054	9,134,189	(8,713)
Outpatient	726,451	4,713	687,218	(34,520)
Partial Day	3,142,808	9,465	2,991,951	(141,392)
Case Management	1,405,986	8,325	1,355,426	(42,235)
Mentally Ill - Adult				
State Inpatient	529,242	-	404,591	(124,651)
Community Inpatient	546,410	129,394	380,057	(36,959)
Residential	1,433,685	117,203	1,311,884	(4,598)
Outpatient	2,099,467	164,387	1,787,905	(147,175)
Partial Day	950,702	57,837	850,824	(42,041)
Case Management	1,680,197	66,427	1,545,031	(68,739)
Mentally Ill - Child				
State Inpatient	4,163	2,632	2,702	1,171
Residential	169,014	10,143	158,848	(23)
Outpatient	1,350,661	62,623	1,232,002	(56,036)
Case Management	103,561	118	99,943	(3,500)
Other Services	676,796	229,966	425,435	(21,395)
Board Administration	2,123,898	72,443	2,040,468	(10,987)
Managed Care Operations				
Ausable Valley CMH	8,061,044	-	8,061,044	-
Northeast Michigan CMH	15,750,174	-	15,750,174	-
NMSAS	604,390	-	604,390	-
Other Contractual Providers	1,557,764	-	1,557,764	-
General and Administrative	2,178,357	47,288	2,028,838	(102,231)
Building Improvements	61,893	63,107	-	1,214
Depreciation - unallocated	170,269	-	-	(170,269)
Total governmental activities	<u>\$ 54,692,251</u>	<u>\$ 1,126,125</u>	<u>\$ 52,537,891</u>	(1,028,235)
General purpose revenues				
Appropriations from member counties				657,265
Investment and other				102,855
Other local miscellaneous				294,951
Total general purpose revenues				1,055,071
Change in net assets				26,836
Net assets, beginning of year				5,110,283
Net assets, end of year				<u>\$ 5,137,119</u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2004

	Provider Fund	Affiliation Fund	Total
ASSETS			
Cash and cash equivalents	\$ 5,512,363	\$ 325,167	\$ 5,837,530
Accounts receivable	269,342	2,242	271,584
Due from State	85,750	14,605	100,355
Due from member counties	99,915	-	99,915
Due from providers	61,744	151,113	212,857
Due from other funds	269,494	408,362	677,856
Prepaid expenditures	320,595	2,843	323,438
Total assets	<u>\$ 6,619,203</u>	<u>\$ 904,332</u>	<u>\$ 7,523,535</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,196,302	\$ 571,334	\$ 1,767,636
Accrued liabilities	450,224	42,209	492,433
Due to State	1,145,886	12,226	1,158,112
Due to other funds	591,924	11,793	603,717
Due to providers	-	361,849	361,849
Deposits	3,431	-	3,431
Deferred revenue	833,363	-	833,363
Total liabilities	<u>4,221,130</u>	<u>999,411</u>	<u>5,220,541</u>
FUND BALANCES			
Unreserved	<u>2,398,073</u>	<u>(95,079)</u>	2,302,994
Total liabilities and fund balances	<u>\$ 6,619,203</u>	<u>\$ 904,332</u>	

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities Net Assets

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in governmental funds. The cost of the assets
is \$1,393,783 and the accumulated depreciation is
\$931,828.

461,955

Internal service funds are used by management to charge
the costs of certain activities, such as building rentals
and risk management to individual funds. The assets
and liabilities of the internal service funds are
included in governmental activities in the statement of
net assets.

2,372,170

Total net assets - governmental activities

\$ 5,137,119

The accompanying notes are an integral part of these financial statements.

-7-

North Country Community Mental Health

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2004

	Provider Fund	Affiliation Fund	Total
Revenues			
Government grants	\$ 24,354,217	\$ 46,677,818	\$ 71,032,035
Earned revenue	181,463	-	181,463
Reimbursements	191,023	-	191,023
Other local match	1,006,572	817,751	1,824,323
Interest income	-	33,393	33,393
Other revenue	800,148	254,286	1,054,434
Total revenues	<u>26,533,423</u>	<u>47,783,248</u>	<u>74,316,671</u>
Expenditures			
Developmentally Disabled			
State Residential	142,363	-	142,363
Residential	9,222,956	-	9,222,956
Outpatient	726,451	-	726,451
Partial Day	3,142,808	-	3,142,808
Case Management	1,405,986	-	1,405,986
Mentally Ill - Adult			
State Inpatient	529,242	-	529,242
Community Inpatient	546,410	-	546,410
Residential	1,433,685	-	1,433,685
Outpatient	2,099,467	-	2,099,467
Partial Day	950,702	-	950,702
Case Management	1,680,197	-	1,680,197
Mentally Ill - Child			
State Inpatient	4,163	-	4,163
Residential	169,014	-	169,014
Outpatient	1,350,661	-	1,350,661
Case Management	103,561	-	103,561
Other Services	676,796	-	676,796
Board Administration	2,360,081	-	2,360,081
Managed Care Operations	-	47,878,327	47,878,327
Total expenditures	<u>26,544,543</u>	<u>47,878,327</u>	<u>74,422,870</u>
REVENUES OVER EXPENDITURES	(11,120)	(95,079)	(106,199)
Other financing sources			
Operating transfer in	5,901	-	5,901
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(5,219)	(95,079)	(100,298)
Fund balance, beginning of year	2,403,292	-	2,403,292
Fund balance, end of year	<u>\$ 2,398,073</u>	<u>\$ (95,079)</u>	<u>\$ 2,302,994</u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2004

Total Net Change in Fund Balances - Governmental Funds \$ (100,298)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation during the year.

Capital outlays	\$ 236,183	
Depreciation expense	<u>(170,269)</u>	65,914

Internal service funds are used by management to charge the costs of certain activities, such as building rentals and risk management to individual funds. The net income of the internal service funds is reported with governmental activities.

61,220

Changes in Net Assets of Governmental Activities \$ 26,836

North Country Community Mental Health

BALANCE SHEET - PROPRIETARY FUNDS

September 30, 2004

	Internal Service Funds (Non-Major)			
	Risk Management Fund	Employee Benefit Fund	Building Improvement Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,889,059	\$ 478,699	\$ 102,831	\$ 2,470,589
Due from other funds	-	85,479	98,082	183,561
Total current assets	1,889,059	564,178	200,913	2,654,150
Buildings, net of depreciation	-	-	1,111,168	1,111,168
Total assets	<u>\$ 1,889,059</u>	<u>\$ 564,178</u>	<u>\$ 1,312,081</u>	<u>\$ 3,765,318</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Notes payable	\$ -	\$ -	\$ 23,243	\$ 23,243
Due to other funds	-	50,995	206,705	257,700
Total current liabilities	-	50,995	229,948	280,943
Accrued annual leave	-	513,183	-	513,183
Non-current portion of notes payable	-	-	599,022	599,022
Total liabilities	-	564,178	828,970	1,393,148
FUND EQUITY				
Contributed capital	-	-	448,923	448,923
Retained earnings	1,889,059	-	34,188	1,923,247
Total fund equity	1,889,059	-	483,111	2,372,170
Total liabilities and fund equity	<u>\$ 1,889,059</u>	<u>\$ 564,178</u>	<u>\$ 1,312,081</u>	<u>\$ 3,765,318</u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUNDS

For the Year Ended September 30, 2004

	Internal Service Funds (Non-Major)			
	Risk Management Fund	Employee Benefit Fund	Building Improvement Fund	Total
Revenues				
Charges for service	\$ 40,390	\$ 49,473	\$ 63,107	\$ 152,970
Interest income	<u>21,350</u>	<u>3,227</u>	<u>940</u>	<u>25,517</u>
Total revenues	<u>61,740</u>	<u>52,700</u>	<u>64,047</u>	<u>178,487</u>
Expenditures				
Employee benefits	-	49,473	-	49,473
Repairs and maintenance	-	-	100	100
Depreciation	-	-	38,722	38,722
Interest expense	<u>-</u>	<u>-</u>	<u>23,071</u>	<u>23,071</u>
Total expenditures	<u>-</u>	<u>49,473</u>	<u>61,893</u>	<u>111,366</u>
NET OPERATING INCOME	61,740	3,227	2,154	67,121
Other revenues				
Operating transfer out	<u>-</u>	<u>(5,901)</u>	<u>-</u>	<u>(5,901)</u>
NET INCOME	61,740	(2,674)	2,154	61,220
Retained earnings, beginning of year	<u>1,827,319</u>	<u>2,674</u>	<u>32,034</u>	<u>1,862,027</u>
Retained earnings, end of year	<u>\$ 1,889,059</u>	<u>\$ -</u>	<u>\$ 34,188</u>	<u>\$ 1,923,247</u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended September 30, 2004

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 67,121
Adjustments to reconcile net operating income to cash provided by operating activities	
Depreciation	38,722
Decrease in due from other funds	494,536
Increase in accrued annual leave	49,473
Increase in due to other funds	<u>108,368</u>
Net cash provided from operating activities	<u>758,220</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(17,647)
Net borrowings (repayments) under loan agreements	2,087
Interest paid on loan agreements	<u>(23,071)</u>
Net cash used from capital financing activities	<u>(38,631)</u>
NET INCREASE IN CASH	719,589
Cash, beginning of year	<u>1,751,000</u>
Cash, end of year	<u><u>\$ 2,470,589</u></u>

The accompanying notes are an integral part of these financial statements.

North Country Community Mental Health

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

North Country Community Mental Health (the "Authority") was created on April 1, 2003 as an independent mental health authority by the Counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska and Otsego, under Public Act 290, PA 1995. The Authority is the survivor, resulting from the merger of Northern Michigan Community Mental Health Services Board and Antrim Kalkaska Community Mental Health Services Board. The Authority is governed by an 18 member board. The operations of the Authority are characterized by two distinct functions as follows:

Conduit of State Medicaid Funds

The Authority is the Preferred Health Provider ("PHP"), representing three community mental health agencies servicing thirteen counties in Northern Michigan, the "Northern Affiliation". As the PHP, the Authority negotiates with the Michigan Department of Community Health ("MDCH") for the Northern Affiliation's Medicaid contract. The PHP then negotiates contracts with its affiliated providers for distribution of those funds.

Provider of Mental Health Services

As a provider of mental health services, the Authority's purpose and power is to carry out the provisions of the Michigan Mental Health Code in the six-county area it services. Funding for State Medicaid revenue flows from the contract described above. For non-Medicaid funds, the Authority and each member of the Northern Affiliation individually contract with MDCH and other funding sources.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to local governments in the United States.

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Authority's activities.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. In evaluating the Authority as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Authority may or may not be financially accountable and, as such, be includable within the Authority's financial statements. In accordance with GASB Statement No. 14, the Authority is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Authority. Additionally, the Authority is required to consider other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS - Continued

Based on this criteria, management has not identified any potential component units requiring consideration for inclusion in the Authority's financial statements.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the Authority as a whole. Individual funds are not displayed, but the statements distinguish governmental and business-like (if any) activities generally supported by the Authority's general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances for the Authority's governmental funds and the balance sheet, statement of revenues, expenses and changes in retained earnings and the statement of cash flows for the Authority's proprietary funds are presented after the government-wide statements. These fund financial statements display information about major funds for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures. The Authority's only proprietary funds are internal service funds used in governmental activities. Internal service funds are not major funds but are shown individually to satisfy reporting requirements of the Michigan Department of Treasury.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with *Generally Accepted Accounting Principles* ("GAAP"). The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

NOTES TO FINANCIAL STATEMENTS - Continued

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances are considered a measure of "available spendable resources." Governmental fund operating statements present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule are: (1) accumulated unpaid vacation, sick pay and other employee amounts which are not payable from available resources and; (2) principal and interest on general long-term debt which is recognized when due.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the Authority's general revenues.

The Authority's most significant program revenues are Medicaid, other State grants and charges for services.

Revenue Recognition

A significant portion of funding is received through the State of Michigan under managed care contracts. The contracts are prepaid and the Authority is responsible for management of all State and Federal funds they receive via their contracts. The Authority has negotiated or assumed two contracts with the State covering the period from October 1, 2003 through September 30, 2004. One contract covers Medicaid funds and the other covers State General Funds. Both of the contracts are partial-risk contracts with the Authority and the State of Michigan Department of Community Health sharing costs for services over an established threshold. The Authority's risk is limited to all of the first 5% of costs in excess of the threshold and half of the second 5% of costs in excess of the threshold.

Additionally, the Authority is entitled to reinvest cost savings of up to 5% of the threshold to be used as follows:

Medicaid contract savings are to be used for qualifying Medicaid reinvestment expenditures.

General Fund savings are carried forward to the subsequent fiscal year.

Cost settlement occurs as of September 30, as necessary, to determine expenditures for the risk sharing methodology.

NOTES TO FINANCIAL STATEMENTS - Continued

Medicaid Contract

The Authority has contracted with the State of Michigan for Medicaid funds for all of its affiliated providers. Payment under the contract is on a capitated basis. Payment to the Authority is on a per-eligible Medicaid recipient, per month basis. Adjustments for the fluctuations in the Medicaid population are made monthly. The Authority recognizes all payments received under this contract as revenue in its Affiliation Fund. The Provider Fund recognizes reimbursement revenue as it provides services funded by the Affiliation Fund.

General Fund Contract

The Authority's General Fund contract with the State of Michigan is based on historical funding levels. Revenue is recognized in the Provider Fund upon incurring qualifying expenditures.

Fund Types and Major Funds

Activities in Major Funds

The Provider Fund is the main operating fund of the Authority. It is used to account for the proceeds of revenue sources legally restricted for mental health activities.

The Affiliation Fund negotiates with the Michigan Department of Community Health for the Northern Affiliation's Medicaid contract. It is used to account for the receipt and distributions of State contracted Medicaid revenues on behalf of the Northern Affiliation's members.

Activities in Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one Department or Agency to other departments or agencies of the Authority or to other governments on a cost-reimbursement basis.

The Risk Management Fund is used to finance exposure to risk under managed care contracts.

The Employee Benefit Fund is used to finance employees' annual leave benefits accrued but unpaid.

The Building Improvement Fund is used to account for the acquisition of properties that are leased to the Provider Fund and made available to North Country Community Mental Health clients.

Cash Equivalents

For purposes of the balance sheet classification, the Authority considers all highly-liquid debt instruments with maturity of three months or less to be a cash equivalent.

NOTES TO FINANCIAL STATEMENTS - Continued

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. The Authority generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	8 - 25
Furniture and equipment	3 - 10
Vehicles	4

Budgets and Budgetary Accounting

A budget is adopted each year for the Governmental Funds based on an appropriated amount. The budgets are prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budgetary control over programs funded under grants and contracts are maintained on the basis of the provisions contained in the grants and contracts.

Fund Equity

The governmental funds financial statements report reserved fund equity for amounts not appropriable for expenditures or legally segregated for a specific future use. Designations of fund balances represent management's plans for future use of financial resources.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The Authority follows the provisions of P.A. 621 of 1978 (the Uniform Budgeting and Accounting Act) (the "Act") in the adoption and execution of its budget. The Act requires amounts be appropriated in the Provider and Affiliation Funds before expenditures may be incurred. Appropriations must be amended to allow expenditures in excess of the original appropriation. However, appropriations in excess of revenues and available fund balance are in violation of the Act. All budget appropriations lapse at the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS - Continued

During the year ended September 30, 2004, the Authority incurred expenditures which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Provider Fund			
Developmentally Disabled			
Residential	\$ 9,142,315	\$ 9,222,956	\$ 80,641
Partial Day	3,132,786	3,142,808	10,022
Mentally Ill - Adult			
Partial Day	948,320	950,702	2,382
Other Services	671,587	676,796	5,209
Board Administration	2,212,741	2,360,081	147,340

The \$95,079 deficit fund balance in the Affiliation Fund is the result of state funding for capital expenditures exceeding \$5,000. The Authority will be reimbursed for these expenditures over the useful life of the asset as opposed to the year of acquisition.

NOTE C - DEPOSITS AND INVESTMENTS

A summary of cash deposits and investments in the statement of net assets follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash	<u>\$ 4,051,429</u>	<u>\$ 4,256,690</u>	<u>\$ 8,308,119</u>

Deposits

Michigan law authorizes the Authority to deposit in the accounts of Federally insured banks, credit unions and savings and loan associations located in Michigan.

The Governmental Accounting Standards Board Statement No. 3, *Risk Disclosures for Cash Deposits*, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 400,000	\$ 400,000
Uninsured and uncollateralized	<u>3,651,429</u>	<u>3,517,978</u>
	<u>\$ 4,051,429</u>	<u>\$ 3,917,978</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Investments

Michigan law permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FLIC, respectively.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.

The investments made by the Authority are not presented by specific identifiable investment securities, and therefore, have not been classified as to credit risk.

	Carrying Amount	Bank Balance
Uncategorized	\$ 4,256,690	\$ 4,256,690

NOTE D - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	October 1, 2003	Additions	Retirements	September 30, 2004
Vehicles	\$ 697,441	\$ 42,586	\$ (41,717)	\$ 698,310
Computer equipment	126,960	103,196	-	230,156
Furniture and fixtures	373,716	-	(1,000)	372,716
Residential homes and improvements	956,200	87,490	-	1,043,690
Total depreciable assets	2,154,317	233,272	(42,717)	2,344,872
Less accumulated depreciation	(842,375)	(208,991)	39,517	(1,011,849)
Construction-in-process	-	92,600	-	92,600
Land	147,500	-	-	147,500
Total capital assets, net	<u>\$ 1,459,442</u>	<u>\$ 116,881</u>	<u>\$ (3,200)</u>	<u>\$ 1,573,123</u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Building Improvements	\$ 38,722
Unallocated	<u>170,269</u>
	<u>\$ 208,991</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE E - NON-CURRENT LIABILITIES

Changes in non-current liabilities during the year ended September 30, 2004 were as follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 574,408	\$ 68,841	\$ 20,984	\$ 622,265	\$ 23,243
Accrued annual leave*	<u>463,710</u>	<u>49,473</u>	<u>-</u>	<u>513,183</u>	<u>-</u>
	<u>\$ 1,038,118</u>	<u>\$ 118,314</u>	<u>\$ 20,984</u>	<u>\$ 1,135,448</u>	<u>\$ 23,243</u>

*Accrued annual leave new debt represents the net effect of additional sick and vacation days earned and used during the year.

Notes Payable

Promissory note payable to bank; with first six installments to be interest only; subsequent monthly payments of \$1,649, including interest rate at 3.77%; balance of principle due at maturity; maturing July 7, 2014. \$ 275,302

Promissory note payable to bank; with monthly payments of \$2,156; including interest rate at 3.77%; balance of principle due at maturity; maturing July 3, 2013. 346,963

Total notes payable 622,265

Less current portion (23,243)

\$ 599,022

Interest expense was \$23,071 for the period ending September 30, 2004.

Future minimum maturities are as follows:

<u>Year Ending September 30,</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 23,243	\$ 22,417	\$ 45,660
2006	23,442	22,218	45,660
2007	24,341	21,319	45,660
2008	25,275	20,385	45,660
2009	26,245	19,415	45,660
2010-2014	<u>499,719</u>	<u>70,555</u>	<u>570,274</u>
	<u>\$ 622,265</u>	<u>\$ 176,309</u>	<u>\$ 798,574</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Accumulated Accrued Benefits

Employees of the Authority accumulate days of sick and vacation leave. The amounts are calculated based on each employee's total accumulated hours at their current pay rate. The accrued vacation liability is valued at 100% of each employee's accrued hours at their pay rate on that date. A maximum of 240 hours vacation may be accrued by any employee. The accrued sick time liability is valued at one-quarter of each employee's accrued hours (with a maximum of 320 hours) at their pay rate on that date. These liabilities at September 30, 2004 are estimated at \$513,183.

NOTE F - OPERATING LEASES

The Authority leases various facilities and equipment under operating leases with terms ranging from month-to-month to multiple year agreements with options for extensions. Total rent expense for the period ended September 30, 2004 was \$931,352. Future minimum lease payments are as follows:

<u>Years ending</u> <u>September 30,</u>	
2005	\$ 439,473
2006	280,321
2007	208,936
2008	113,769
2009	63,818
2010 - 2014	<u>1,400</u>
	<u><u>\$ 1,107,717</u></u>

NOTE G - RETIREMENT PLAN

The Authority provides 401(a) Money Purchase Plans for both union and non-union employees who have met the respective employment requirements. Total pension contributions for the year ended September 30, 2004 was \$453,408.

Non-Union Employees

Under the plan, the Authority and its non-union employees contribute 12.2% and 6.2% of qualified compensation, respectively. Authority contributions are fully vested immediately.

Union Employees

Under the plan, the Authority contributes an amount up to 8.17% of qualified compensation. Authority contributions are fully vested after four years of service. Investment earnings forfeited by participants who terminate employment prior to becoming fully vested are used to reduce the Authority's annual contribution requirement.

Additionally, the Authority provides a Deferred Compensation Plan and Trust under Section 457 of the Internal Revenue Code of 1986, as amended, which covers all employees meeting certain employment requirements. Participants may contribute any amount as permitted through the plan.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - PROFESSIONAL AND CONTRACTUAL SERVICES

The Authority contracts with certain organizations to provide mental health programs and various other professional and contractual services. Organizations receiving in excess of 10% of Provider Fund subcontractor expenditures in accordance with such contracts are listed below:

Northern Management Service	\$ 1,741,803
Summertree Residential Services	2,886,227

NOTE I - CONTINGENT LIABILITIES

The Authority received a significant amount of their revenue from various Federal and State assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The compliance audits of these programs for or including the year ended September 30, 2004 and prior may have not all been conducted.

Accordingly, the Authority's compliance with the program requirements may be established at some future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, would not be material to the financial statements.

NOTE J - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member in the Michigan Municipal Risk Management Authority ("MMRMA") for risk of loss relating to its property and general liability (except auto liability and vehicle physical damage).

The MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-insured retention amounts other than a \$500 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members' limits of coverage (per occurrence) are \$5 million for liability and about \$350,000 for property. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the Authority.

The Authority carries commercial insurance for all other risks of loss including auto liability, vehicle physical damage, workers' compensation, liability and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

NOTE K - MANAGED CARE RISK FINANCING

The Authority established an Internal Service Fund for the purpose of financing risk of loss under the managed care contract. The Authority is exposed to two layers of risk, all of the first 5% of costs in excess of allocations and half of the second 5% of costs in excess of allocations, for a total potential annual loss of 7.5% of allocations. All amounts remaining in the Risk Management Fund, including related interest earnings, are restricted/reserved for the financing of losses under the managed care contract.

In connection with the designation of the Authority as a Medicaid Preferred Health Provider, members of the Northern Affiliation contributed \$40,390 to the fund during the year.

The ultimate amount of allowable managed care risk is subject to the outcome of future events, including actual future losses under the managed care contract and approval of the Michigan Department of Community Health ("MDCH"). Should losses not develop as estimated or the MDCH disallow some of the amount set aside, then such unused/disallowed amount, plus interest, would be returned to MDCH.

REQUIRED SUPPLEMENTAL INFORMATION

North Country Community Mental Health

BUDGETARY COMPARISON SCHEDULE FOR THE PROVIDER FUND

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
Revenues					
Governmental grants	\$ 25,759,958	\$ 25,680,408	\$ 24,354,217	\$ (79,550)	\$ (1,326,191)
Earned revenue	158,704	161,304	181,463	2,600	20,159
Reimbursements	723,820	728,812	191,023	4,992	(537,789)
Other local match	1,017,190	1,017,105	1,006,572	(85)	(10,533)
Other revenue	-	-	800,148	-	800,148
Total revenues	<u>27,659,672</u>	<u>27,587,629</u>	<u>26,533,423</u>	<u>(72,043)</u>	<u>(1,054,206)</u>
Expenditures					
Developmentally Disabled					
State Residential	160,715	158,579	142,363	2,136	16,216
Residential	9,137,301	9,142,315	9,222,956	(5,014)	(80,641)
Outpatient	803,763	811,822	726,451	(8,059)	85,371
Partial Day	3,284,419	3,132,786	3,142,808	151,633	(10,022)
Case Management	1,855,752	1,788,409	1,405,986	67,343	382,423
Mentally Ill - Adult					
State Inpatient	569,435	766,104	529,242	(196,669)	236,862
Community Inpatient	617,322	569,791	546,410	47,531	23,381
Residential	1,369,242	1,521,136	1,433,685	(151,894)	87,451
Outpatient	2,205,151	2,168,477	2,099,467	36,674	69,010
Partial Day	933,342	948,320	950,702	(14,978)	(2,382)
Case Management	1,764,180	1,775,859	1,680,197	(11,679)	95,662
Mentally Ill - Child					
State Inpatient	99,014	26,550	4,163	72,464	22,387
Residential	198,321	174,253	169,014	24,068	5,239
Outpatient	1,652,910	1,604,087	1,350,661	48,823	253,426
Case Management	117,813	114,813	103,561	3,000	11,252
Other Services	539,897	671,587	676,796	(131,690)	(5,209)
Board Administration	2,351,095	2,212,741	2,360,081	138,354	(147,340)
Total expenditures	<u>27,659,672</u>	<u>27,587,629</u>	<u>26,544,543</u>	<u>72,043</u>	<u>1,043,086</u>
REVENUES OVER EXPENDITURES	-	-	(11,120)	-	(11,120)
Operating transfer in	-	-	5,901	-	5,901
Fund balance, beginning of year	2,403,292	2,403,292	2,403,292	-	-
Fund balance, end of year	<u>\$ 2,403,292</u>	<u>\$ 2,403,292</u>	<u>\$ 2,398,073</u>	<u>\$ -</u>	<u>\$ (5,219)</u>

North Country Community Mental Health
BUDGETARY COMPARISON SCHEDULE FOR THE AFFILIATION FUND

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
Revenues					
Governmental grants	\$ 46,935,543	\$ 46,935,543	\$ 46,677,818	\$ -	\$ (257,725)
Other local match	817,751	817,751	817,751	-	-
Interest expense	13,443	13,443	33,393	-	19,950
Other revenue	203,774	203,774	254,286	-	50,512
Total revenues	<u>47,970,511</u>	<u>47,970,511</u>	<u>47,783,248</u>	<u>-</u>	<u>(187,263)</u>
Expenditures					
Managed care operations	<u>47,970,511</u>	<u>47,970,511</u>	<u>47,878,327</u>	<u>-</u>	<u>92,184</u>
REVENUES OVER EXPENDITURES	-	-	(95,079)	-	(95,079)
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,079)</u>	<u>\$ -</u>	<u>\$ (95,079)</u>